

Message Text

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ACTION NEA-16

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FM AMEMBASSY BEIRUT

TO AMEMBASSY JIDDA

INFO SECSTATE WASHDC 0190

C O N F I D E N T I A L BEIRUT 10890

E.O. 11652: GDS

TAGS: BGEN

SUBJECT: ALLEGED PUBLIC SECURITY INVESTIGATION OF ARTHUR
ANDERSEN AND COMPANY

1. MR. S. SABA OF THE ARTHUR ANDERSEN, SABA AND
CO. OF BEIRUT APPROACHED THE EMBASSY ON AN URGENT
BASIS ABOUT A MATTER CONCERNING AN APPLICATION
PENDING IN THE SAUDI ARABIAN MINISTRY OF COMMERCE
FOR REGISTRATION OF THE ARTHUR ANDERSEN, SABA AND
CO. IN SAUDI ARABIA. ACCORDING TO INFORMATION
OBTAINED BY SABA ON A VERY CONFIDENTIAL BASIS, THE
APPLICATION HAS BEEN HELD UP BY THE SAUDI ARABIAN
MINISTRY OF INTERIOR AND A PUBLIC SECURITY INVESTIGA-
TION OF ARTHUR ANDERSEN AND COMPANY IS BEING PLANNED.
SABA ATTRIBUTES THIS STEP TO THE ACTIVITIES OF A
DISGRUNTLED MANAGER OF THE JIDDA OFFICE OF SABA AND
CO., WHO HAD BEEN RECENTLY DISMISSED.

2. ARTHUR ANDERSEN AND CO. AND SABA AND CO. HAVE
BEEN OPERATING A JOINT PARTNERSHIP REGISTERED IN
LEBANON SINCE 1966. SABA AND CO. HAS BEEN REGISTERED
SEPARATELY IN SAUDI ARABIA FOR ABOUT 20 YEARS AND STEPS
FOR A JOINT REGISTRATION IN SUDI ARABIA WERE FIRST
TAKEN IN 1971. THE JOINT FIRM'S CLIENTS IN SAUDI
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ARABIA INCLUDE THE GETTY OIL CO., SAUDI ARABIAN AIR-

LINES, BECHTEL CORP., NORTHROP, WESTINGHOUSE AND MANY OTHERS.

3. UNDERSTANDABLY, SABA IS GREATLY CONCERNED THAT THE INSTIGATION OF A SECURITY INVESTIGATION COULD HAVE A DETRIMENTAL EFFECT ON THE GOOD NAME OF ARTHUR ANDERSEN AND CO. AND HAS ALREADY INFORMED THE MAIN OFFICE IN CHICAGO FOR THE PURPOSE OF DESPATCHING REPRESENTATIVES TO SAUDI ARABIA IMMEDIATELY TO CORRECT ANY FALSE CHARGES THAT MIGHT BE MADE. HE UNDERSTANDS, AGAIN ON A STRICTLY CONFIDENTIAL BASIS, THAT A 10-DAY DELAY HAS BEEN PERMITTED WITH REGARD TO THE SECURITY INVESTIGATION. WE UNDERSTAND THAT THE HEADQUARTERS OF ARTHUR ANDERSEN AND CO. WILL INFORM THE DEPT. DIRECTLY ABOUT THIS MATTER.
GODLEY

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